# TESTIMONY OF HAROLD W. GEISEL DEPUTY INSPECTOR GENERAL OFFICE OF INSPECTOR GENERAL U.S. DEPARTMENT OF STATE AND THE BROADCASTING BOARD OF GOVERNORS

# **BEFORE THE**

U.S. SENATE COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON THE DEPARTMENT OF STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS

ON

THE OBAMA ADMINISTRATION'S FY 2014 BUDGET REQUEST

APRIL 18, 2013

Chairman Leahy, Ranking Member Graham, and members of the Subcommittee, I appreciate the opportunity to submit my written testimony in relation to your hearing on the administration's FY 2014 budget request for the Department of State (Department).

In its FY 2014 budget guidance,<sup>1</sup> the Office of Management and Budget (OMB) directed all Federal agencies to cut waste, set program priorities, and make targeted investments in critical areas. OMB also asked agencies to reduce overall requests by 5 percent below the net discretionary total of their FY 2013 budgets. The Department's Quadrennial Diplomacy and Development Review (QDDR) also stressed the importance of working smarter and better prioritizing objectives.

# **Department of State Key Challenges**

The Office of Inspector General (OIG) considers the following areas to be the most serious management and performance challenges to reducing waste, improving efficiencies, and achieving savings.

#### **Contract and Procurement Management**

In FY 2010, the OIG Office of Investigations (INV) refocused its mission, making procurement fraud its top priority. As a result, in the past 3 years INV referred 89 companies and/or individuals to the Office of the Procurement Executive (OPE) for suspension or debarment consideration, resulting in 83 of the companies or individuals being suspended and/or debarred. This is a marked increase from two total suspensions and/or debarments between FY 2008–2010. In March 2012, an OIG investigation determined the principal officer of a then current Department contractor had been previously convicted on several fraud charges and was still debarred by the General Services Administration. INV issued Management Assistance Report C2010-031, recommending that OPE and the Bureau of Administration require all contractors to submit a list of all principal officers as part of the contract bidding package and to search the names of individuals listed to determine if any party had been suspended or debarred from Government contracting.

Despite this progress in the fight against fraudulent activities, the Department continues to face challenges managing contracts and procurements. Although Departmental contracting activities have significantly increased from \$1.8 billion in 2001 to \$8.8 billion in 2011,<sup>2</sup> the Department has not met this considerable growth with a corresponding increase in contracting personnel to handle the workload.<sup>3</sup> To meet the burgeoning demands for its services, the Department's Bureau of Administration increased its procurement staff from 109 contracting professionals in FY 2009 to 146 in FY 2011.<sup>4</sup> In a draft report issued in April 2013, OIG cited other oversight agencies that had identified deficiencies in the Department's contract oversight.

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<sup>&</sup>lt;sup>1</sup> OMB Memorandum M-12-13, "Fiscal Year 2014 Budget Guidance."

<sup>&</sup>lt;sup>2</sup> FY 2014 Bureau Resource Request, Bureau of Administration, May 31, 2012.

<sup>&</sup>lt;sup>3</sup> State and DOD Should Ensure Interagency Acquisitions Are Effectively Managed and Comply with Fiscal Law (GAO-12-750, Aug. 2012).

<sup>&</sup>lt;sup>4</sup> FY 2014 Bureau Resource Request, Bureau of Administration, May 31, 2012.

Specifically, between January 2009 and August 2012, OIG issued 17 reports that included findings related to the lack of or inconsistent performance in monitoring procurements.

For example, in September 2012, OIG assessed the Department's Motor Vehicle Fleet and found that the Department was not in compliance with regulations that require agencies to collect and report information on mileage, fuel use, and maintenance costs for each vehicle in the fleet and that available motor vehicle fleet utilization data were incomplete and not fully reliable. In compliance with OIG's recommendations, the Department expanded its fleet management plan and obtained usage information on more than 99 percent of vehicles in the fleet. As a result of these improved practices, the Department identified 2,124 motor vehicles—with an estimated acquisition value of approximately \$130 million—that could be eliminated from its inventory by the end of FY 2015. The Department cited improved fleet management practices as a way to save future acquisition, maintenance, and fuel costs while still fulfilling mission requirements and providing world-class customer service.

To fulfill its unprecedented responsibilities in the Middle East, the Department has relied heavily on contractors for some critical goods and services,<sup>5</sup> and OIG has identified instances in which poor contract monitoring resulted in increased costs and poor performance. OIG determined that the contracting officer's representatives (COR) for Embassy Baghdad's operations and maintenance contract had not verified contractor invoices against appropriate supporting documentation or the contract terms and conditions, resulting in erroneous payments to the contractor.<sup>6</sup> OIG recommended that the Department direct the contracting officer to conduct a comprehensive review of all contractor invoices before the contract closed to ensure that unallowable costs are recovered.<sup>7</sup> OIG conducted another audit<sup>8</sup> of the Department's contract to provide movement security, specialized emergency services, and guard services for diplomatic missions in high threat areas. OIG found that only 253 of 513 movement security personnel provided by the contractor were used on average because the Department had not conducted a needs analysis for staffing requirements prior to awarding the task order. Consequently, the Department paid, at a minimum, \$20.6 million for unnecessary contractor security personnel rather than using the funds to address security needs in other regions.

OIG audits also found a pressing need for improved management and monitoring of grants and cooperative agreements in the Middle East. In Iraq, one grantee received eight grants, totaling about \$130 million, to carry out local democracy-building programs. These eight grants exceeded their respective award budgets by a total of approximately \$4.6 million because the Department did not adequately monitor program performance nor detect questionable charges. For example, security costs were not competed, and, as a result, the \$64.3 million in security costs exceeded the \$49.5 million in direct costs to carry out the Iraqi democracy-building programs. The Bureau of Near Eastern Affairs (NEA) had difficulty determining the origin and

<sup>&</sup>lt;sup>5</sup> GAO-12-750.

<sup>&</sup>lt;sup>6</sup> Evaluation of Invoices and Payments for the Embassy Baghdad Operations and Maintenance Contract (AUD-MERO-12-43, Aug. 2012).

<sup>&</sup>lt;sup>7</sup> Ibid.

<sup>&</sup>lt;sup>8</sup> Audit of Bureau of Diplomatic Security Worldwide Protective Services Contracts—Task Order 5 for Baghdad Movement Security (Feb. 2013).

progress of some of its grants for capacity-building because of insufficient training, pressure to award grants quickly, and turnover in the bureau and at Embassy Baghdad.

Proper oversight and accountability of grants, contracts, and cooperative and interagency agreements are continuing challenges in other regions as well. During inspections of the Bureau of Counterterrorism<sup>9</sup> and the Bureau of Diplomatic Security's (DS) Office of Antiterrorism Assistance, <sup>10</sup> which jointly manage antiterrorism assistance totaling about \$200 million, OIG found that several program managers lacked program monitoring and evaluation training. In Beirut, 11 the mission did not document the results of site visits to grantee locations, creating uncertainty on whether millions of dollars in grants and cooperative agreements were fulfilling intended purposes. In another audit, OIG found that a Department bureau did not always follow policy guidance on managing and monitoring over \$200 million in climate change grants and interagency acquisition agreements.

As of March 31, 2013, OIG's Office of Audits reported 36 additional "open" OIG recommendations representing about \$210.5 million in identified funds put to better use or questioned costs.

# Transitions in Iraq and Afghanistan

The United States completed its transition from a military-led to a civilian-led presence in Iraq in December 2011 and continues to plan and implement a similar transition in Afghanistan. In February 2012, the Department announced a formal effort to rightsize the U.S. mission in Iraq, resulting in a number of facility closures and staffing reductions. <sup>12</sup> As the Department continues these efforts, it is important that mission priorities, security, and cost considerations are synchronized. The tradeoff between security and cost considerations when rightsizing a mission is made clear in recent analyses and estimates of the portion of costs that account for the security and support of programs in Iraq. In June 2012, the Government Accountability Office (GAO) reported that the Departments of State and Defense allocated approximately \$4 billion toward the U.S. diplomatic presence in Iraq, 93 percent of which was designated solely for security and support costs. 13 The Special Inspector General for Iraq Reconstruction (SIGIR) reported a similar analysis of the portion of support costs focused on the Police Development Program (PDP) in Iraq—a program to assist the Government of Iraq in strengthening rule of law. In July 2012, SIGIR reported that 94 percent of the PDP's projected FY 2013 budget would be dedicated to support and security activities, <sup>14</sup> and the Department continues to work with the Government of Iraq to define and facilitate a much smaller PDP than was originally envisioned.

<sup>&</sup>lt;sup>9</sup> Inspection of the Bureau of Counterterrorism (ISP-I-12-32A, June 2012).

<sup>&</sup>lt;sup>10</sup> Inspection of the Bureau of Diplomatic Security, Office of Antiterrorism Assistance (ISP-I-12-31, June 2012).

<sup>&</sup>lt;sup>11</sup> Inspection of Embassy Beirut, Lebanon (ISP-I-12-10A, Feb. 2012).

<sup>&</sup>lt;sup>12</sup> U.S. Embassy Baghdad, Special Briefing by Thomas Nides, Deputy Secretary of State for Management and Resources, "Rightsizing U.S. Mission Iraq," Feb. 8, 2012.

<sup>&</sup>lt;sup>13</sup> Assessment of the Transition from a Military to a Civilian-Led Mission in Iraq: Hearing Before the Subcomm. on Nat'l Sec., Homeland Def. and Foreign Operations of the H. Comm. on Oversight and Gov't Reform, 112<sup>th</sup> Cong. (2012) (statement of Michael J. Courts, Acting Director, International Affairs and Trade, Government Accountability Office).

<sup>&</sup>lt;sup>14</sup> Iraq Police Development Program: Lack of Iraqi Support and Security Problems Raise Questions about the Continued Viability of the Program (SIGIR 12-020, June 2012).

On January 1, 2012, the Department became solely responsible for the U.S. Mission in Iraq and the associated foreign policy goals that aim to orient the Government of Iraq and the Iraqi economy towards self-sustainability and a strengthened democracy. Although the United States has completed the transition from a military-led to a civilian-led presence with significant measures of success, the nature and extent of the U.S. foreign policy goals and the attainment of those goals remain unclear amidst environmental and political uncertainty and lack of precedent for such a mission. The sustainment of the transition includes efforts (1) to establish a long-term diplomatic presence leading to normalizing the bilateral relationship in economics, culture, diplomacy, and security; the internal stability of Iraq; and increased stability in the region and (2) to provide the infrastructure necessary for the Department's long-term diplomatic mission including staffing, building, and supporting sites throughout Iraq. <sup>16</sup>

Embassy Baghdad, NEA, and the Bureau of Resource Management have made substantial progress establishing consulates and other support facilities and sustaining programs and operations. For example, the Department was able to assume responsibility for a multitude of support services that were previously provided by or procured by the Department of Defense, including security, air transportation, medical care, and some construction projects. Additionally, in January 2012, OIG reported that Embassy Baghdad's emergency action plan was adequately resourced and tested, which is key to the embassy's ability to respond in emergency situations.<sup>17</sup>

In September 2011 and May 2012, OIG and the Special Inspector General for Afghanistan Reconstruction (SIGAR) reported on accounting, management, and cost reporting challenges the Department faced in conjunction with an increased civilian presence in Afghanistan. According to SIGAR's October 30, 2012, quarterly report to Congress, the Department was responsible for approximately \$477 million (2.8 percent) of \$16.5 billion of U.S. Government funds spent on reconstruction programs in Afghanistan during FY 2012. Challenges to the Afghanistan transition included increased costs associated with the assumption of Department of Defense security duties, costs of opening new consulates, and need for housing and office space for the increased civilian personnel. Establishment of additional facilities increased costs as the Department became responsible for supplies and all service provisions, including food, motor pools, vehicle repair, air traffic control at the airport, crash and rescue, medical evacuation, and hospital services, among others.

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<sup>&</sup>lt;sup>15</sup> These goals were laid out in two accords between the United States and the Government of Iraq: *Agreement on the Withdrawal of United States Forces from Iraq and the Organization of Their Activities during Their Temporary Presence in Iraq*, U.S.-Iraq, art. 24, par. 1, Nov. 17, 2008, Temp. State Dep't No. 09-6; *Strategic Framework Agreement for a Relationship of Friendship and Cooperation*, U.S.-Iraq, sec. III, Nov. 17, 2008, Temp. State Dep't No. 09-7.

<sup>&</sup>lt;sup>16</sup> Staff of S. Comm. on Foreign Relations, 112<sup>th</sup> Cong., Iraq: The Transition from a Military Mission to a Civilian Led Effort (Comm. Print 2011).

<sup>&</sup>lt;sup>17</sup> Evaluation of Emergency Action Plans for Embassy Baghdad and Consulates General Basrah and Erbil (AUD/MERO-12-18, Jan. 2012).

<sup>&</sup>lt;sup>18</sup> The U.S. Civilian Uplift in Afghanistan Has Cost Nearly \$2 Billion, and State Should Continue to Strengthen Its Management and Oversight of the Funds Transferred to Other Agencies (AUD/SI-11-45, September 2011); Limited-Scope Audit of Department of State Management of the Afghanistan Civilian Uplift (AUD/SI-12-36, May 2012).

<sup>19</sup> Special Inspector General for Afghanistan Reconstruction, Quarterly Report to the United States Congress, Oct. 30, 2012.

#### **Diplomacy with Fewer Resources**

OIG has also identified countries in other regions where the Department can carry out its mission with a smaller footprint. OIG has recommended that the Department consider closing or downsizing selected consulates; while the Department has downsized a number of consulates, none have been closed.

OIG examined the Department's Regional Information Management Center (RIMC) in Frankfurt, Germany, and determined that moving 80 percent of RIMC positions back to the United States would reduce the exposure of American personnel to security risks overseas and would save as much as \$18.3 million a year in recurring administrative support costs. The RIMC deployed approximately 100 people overseas, but a majority of the work that staff members performed was not time sensitive and did not require their presence overseas. OIG believes that leaving 20 percent of the RIMC workforce deployed overseas would be sufficient to provide timely support for repairs or crises.

In 2012, OIG recommended reducing overseas direct hire and locally-employed staff positions. At Consulate General Hong Kong and the American Institute in Taiwan, consular officer visa workload declined significantly without commensurate staffing adjustments. OIG also found functions performed at overseas locations that could be performed more cost effectively from a lower cost mission or from domestic locations. In Vienna, OIG recommended that the Bureau of Population, Refugees and Migration (PRM) move a regional facility servicing refugees from Europe and the countries in the former Soviet Union to a lower cost location.

In the 2011 inspection report<sup>20</sup> of Embassy Berlin, OIG recommended that Consulates General Dusseldorf and Hamburg be significantly downsized, Hamburg's underutilized U.S. Government-owned property sold, and the replacement office space leased. Embassy Berlin concurred with OIG recommendations to drastically restructure the staffs at Consulates General Dusseldorf and Hamburg, to sell the U.S. Government-owned property in Hamburg, and to close the small consular operation in Leipzig. On August 20, 2012, Embassy Berlin implemented a major reduction in force of locally-employed (LE) staff and planned the reprogramming or elimination of several U.S. direct-hire positions at the three consulates general.

In FY 2013, OIG inspected<sup>21</sup> Embassy Bangui, Central African Republic, and determined that the embassy's management challenges were not being fully met. The embassy struggled to overhaul its operations after reopening in 2005, including doubling its U.S. direct-hire staff and a major restructuring of LE staffing—all in the absence of a permanent management officer. Excessive dependence on temporary duty support (about 10 temporary duty personnel a month in the past year) has compromised effective use of embassy resources and increased the cost of operating the embassy. Another issue is the Department's increasing dependence on automated management systems that impose a bureaucratic overhead on small posts with inexperienced staff. OIG strongly recommended that the Bureau of African Affairs assess the type of presence it wishes to maintain in the Central African Republic and develop a strategy to staff and support the embassy appropriately.

<sup>21</sup> Inspection of Embassy Bargui, Central African Republic (ISP-I-13-13A, Feb. 2013).

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<sup>&</sup>lt;sup>20</sup> Inspection of Embassy Berlin, Germany (ISP-I-11-65A, Sept. 2011).

The Department has achieved limited success in eliminating redundant management platforms and services. Despite progress at many posts, redundancies remain in basic service areas, e.g. furniture and furnishings, motor transportation, administrative procurement, and LE staff recruiting. The QDDR underscores the Department's commitment to continue consolidating Department and U.S. Agency for International Development (USAID) administrative platforms. While the Department focuses on duplicative services maintained by USAID, OIG recommends it also review other sources of redundancy, particularly at posts with Narcotics Affairs sections<sup>24</sup> and Centers for Disease Control offices.

#### Foreign Assistance Coordination and Oversight

In FY 2011, U.S. foreign assistance totaled \$32 billion,<sup>25</sup> much of which was devoted to peace and security programs in Iraq, Afghanistan, and Pakistan and global HIV/AIDs prevention and democracy promotion activities. Foreign assistance coordination among agencies and Department bureaus remains inadequate.<sup>26</sup> OIG has found duplication among agency programs and staffing. In the QDDR, the Department and USAID recognized the need to better coordinate programs and established a goal of empowering the Chief of Mission to better oversee all agency activities. Consistent with this goal, the Foreign Service Institute expanded coverage of development and foreign assistance management in its economic and political courses, including a new course on development and diplomacy.

Of the seven Department-managed programs currently operating in Afghanistan, the International Narcotics Control and Law Enforcement (INCLE) program, operated by the Bureau of International Narcotics and Law Enforcement Affairs (INL), received approximately \$324 million in FY 2012, roughly 68 percent of the Department's total appropriation for Afghan reconstruction that year. In December 2009, OIG reported that "the Department of State lacks a long-term strategy and a clear end state for its counternarcotics programs in Afghanistan, which hinders planning and prevents an accurate assessment of effectiveness." OIG found impediments to adequate Department planning and oversight in the form of the Afghan Government's weak judicial system, internal corruption, economic uncertainty, financial fraud, religious conflicts, unstable security, and uncontrolled borders. OIG recommended that INL establish clearly defined and measurable performance objectives, milestones, and benchmarks for a comprehensive counternarcotics plan; and increase coordination and communication between appropriate embassies, bureaus, industry experts, Provincial Reconstruction Teams, and Afghan officials and local citizens to garner support, knowledge, and skill for collaborative counternarcotics efforts. Although INL and Embassy Kabul

<sup>&</sup>lt;sup>22</sup> ISP-I-12-24A.

<sup>&</sup>lt;sup>23</sup> The Department recently established a Joint Management Board with the U.S. Agency for International Development.

<sup>&</sup>lt;sup>24</sup> Compliance Follow-up Review of Embassy Bogotá, Columbia (ISP-C-09-08A, Dec. 2008); Embassy La Paz, Bolivia (ISP-I-08-56A, Sept. 2008).

<sup>&</sup>lt;sup>25</sup> FY 2011 Congressional Budget Justification for Foreign Operations.

<sup>&</sup>lt;sup>26</sup> Inspection of Embassy Nairobi, Kenya (ISP-I-12-38A, Aug. 2012); Inspection of Embassy Pretoria, South Africa, and Constituent Posts (ISP-I-11-42A, June 2011); Compliance Followup Review of Embassy Islamabad and Constituent Posts, Pakistan (ISP-C-12-28A, May 2012); Compliance Followup Review of Embassy Kabul, Afghanistan (ISP-C-11-53A, June 2011).

<sup>&</sup>lt;sup>27</sup> Status of INL Counternarcotics Programs in Afghanistan (MERO-A-10-02, Dec. 2009).

concurred with OIG's recommendations and made progress toward implementation, the same external obstacles to oversight persist.

In FY 2011, Congress awarded the second largest portion of the Department's Afghan reconstruction appropriations, approximately \$65 million, <sup>28</sup> to humanitarian efforts in the form of PRM's Migration and Refugee Assistance program. In a July 2011 MERO report<sup>29</sup> on reintegration assistance for refugees returning to Afghanistan, OIG found that the Department's partnership with the United Nations High Commissioner for Refugees (UNHCR) and other nongovernmental organizations had been generally successful in providing medical examinations, cash stipends, and shelter materials to returning refugees. However, OIG further stated that "[b]ecause of the Afghan Government's inability to provide adequate assistance to returnees, the international community mainly bears the burden."<sup>30</sup> OIG identified an example of this inequitable distribution in the poorly administered Afghan Government's Land Allocation Scheme, originally designed to award land plots to returning refugees. Citing mismanagement and failure to achieve intended goals, the UNHCR withdrew financial support from the program and attempted to supplement the absence of land awards with its own infrastructure projects and revenue generating programs. As land disputes and security concerns continue to jeopardize the delivery of assistance to returnees, PRM is often forced to enlist third-party proxies, which further complicate our ability to comprehensively monitor direct funds.

Given rapidly changing relationships and events in frontline states and at other missions, regularly evaluating programs is critical. At Embassy Beirut, <sup>31</sup> OIG noted that the mission had successfully increased and recalibrated assistance programs totaling \$238 million to strengthen Lebanese civil society and institutions after Syrian troops withdrew in 2005. At Embassy Islamabad, <sup>32</sup> OIG highlighted the mission's challenge in executing extensive assistance programs, as most programs were envisioned as part of a 2009 grant engagement strategy. Changes in the bilateral relationship between the United States and Pakistan coupled with pervasive corruption and a lack of absorptive capacity in many levels of government, a daunting security environment, and a shortage of secure office space and staffing had contributed to a large pipeline of unspent assistance funding. OIG recommended the Department review all staffing plans, requests, and construction projects with an eye to scaling them back. The mission completed a rightsizing review and reduced its projected 5-year staffing numbers by 200 positions, required project-based or time-specified positions to be re-evaluated in a timely manner, and identified problems that would jeopardize the viability of current and proposed construction projects if changes in the scale of foreign assistance to Pakistan occur.<sup>33</sup>

#### **Financial Management**

Financial management continues to be a significant challenge for the Department. During the audit of the FY 2011 financial statements, an independent auditor identified

<sup>&</sup>lt;sup>28</sup> Joint Strategic Oversight Plan for Afghanistan Reconstruction FY 13.

<sup>&</sup>lt;sup>29</sup> PRM's Reintegration Assistance Program for Refugees Returning to Afghanistan (MERO-I-11-10, July 2011). <sup>30</sup> Ibid.

<sup>&</sup>lt;sup>31</sup> ISP-I-12-10A.

<sup>&</sup>lt;sup>32</sup> ISP-C-12-28A.

<sup>&</sup>lt;sup>33</sup> Embassy Islamabad compliance correspondence (12 MDA 25018).

potentially material amounts related to after-employment benefits provided to LE overseas staff that had not been previously reported on the Department's financial statements, which impacted the FY 2011 and 2010 financial statements. The independent auditor also identified significant internal control deficiencies related to financial reporting, property and equipment, budgetary accounting, unliquidated obligations, accounts payable accruals, and information technology. <sup>34</sup> In FY 2011, the Department made progress toward improving controls over financial management. For instance, the Department took actions to address certain aspects of the deficiency related to after-employment benefits. However, the Department acknowledged that the deficiencies identified in the financial statement audit report would require more attention and improvement.<sup>35</sup>

OIG conducted a survey of voucher processing to assess the Department's use of the Bureau of the Comptroller and Global Financial Services (CGFS)/Post Support Unit (PSU). Resulting analysis of International Cooperative Administrative Support Services data and post inspection fieldwork revealed that it is more economical to outsource vouchering than to hire or replace local staff. The report highlighted that PSU charges \$12 per voucher strip code whereas the average cost per strip code at embassies was \$34. At a number of missions, including those in Paris, London, and Rome, costs exceeded \$50 per strip code. Accordingly, OIG made formal recommendations to outsource a portion of post voucher workload to CGFS/PS for an approximate cost savings of up to \$18 million.

#### **Information Security and Management**

The Department continues to struggle with the implementation of a fully effective information security management program. During the FY 2012 Federal Information Security Management Act of 2002 (FISMA) audit, <sup>36</sup> OIG determined that the Department had not documented policy and procedures to identify baseline controls nor effectively implemented FISMA and OMB requirements in support of information technology systems. OIG made 31 recommendations to enhance information programs and to protect infrastructure critical to the preservation of national security. During recent inspections, OIG also identified information systems security shortcomings that leave embassies vulnerable to cyber security attacks. Information systems staff often lack appropriate security training. <sup>37</sup> At a number of posts, Information Systems Security Officers are not performing required duties <sup>38</sup> primarily because of competing priorities, inadequate guidance, or a lack of planning. To strengthen security measures and facilitate security checks, OIG has recommended that domestic bureaus consolidate classified materials and processing equipment in interior, enclosed, secure offices rather than scattering classified resources in several locations. <sup>39</sup>

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<sup>&</sup>lt;sup>34</sup> Independent Auditor's Report on the U.S. Department of State 2011 and 2010 Financial Statements (AUD/FM-12-05, Nov. 2011).

<sup>35</sup> Ibid.

<sup>&</sup>lt;sup>36</sup> Evaluation of Department of State Information Security Program (AUD-IT-13-03, Nov. 2012).

<sup>&</sup>lt;sup>37</sup> Inspection of Embassy Algiers, Algeria (ISP-I-12-06A, Jan. 2012); Inspection of the American Institute in Taiwan (ISP-I-12-12A, Feb. 2012).

<sup>&</sup>lt;sup>38</sup> ISP-I-12-06A. *Inspection of Embassy Port-au-Prince, Haiti* (ISP-I-12-24A, May 2012); *Inspection of Embassy Beirut, Lebanon* (ISP-I-12-10A, Feb. 2012).

<sup>&</sup>lt;sup>39</sup> Inspection of the Bureau of Consular Affairs, Directorate of Overseas Citizens Services, Office of Children's Issues, Office of Policy Review and Interagency Liaison, and the Planning, Programs, and Systems Liaison Division (ISP-I-12-21, May 2012).

In addition, the Department continues to have problems with systems development, as noted in the inspection of the Bureau of Consular Affairs' Office of Consular Systems and Technology. Often domestic bureaus and offices do not follow mandated systems development life-cycle requirements. In the Bureau of Educational and Cultural Affairs, insufficient stakeholder involvement resulted in a system that did not meet user needs, and many offices developed separate systems to fill the gaps. OIG also found insufficient documentation supporting system changes and inadequate security and vulnerability testing. There is no Department-mandated methodology for documenting compliance with systems development life-cycle requirements, the absence of which contributes to these shortcomings.

Information technology (IT) contingency planning is critical to ensure that systems are protected and can quickly resume operations after unforeseen incidents, such as power outages, equipment failures, or natural disasters. In December 2011, OIG noted that in 20 of 50 (40 percent) recent inspections, IT contingency planning shortcomings were identified. OIG recommended that the Department track bureau and post compliance with IT contingency planning requirements, incorporate contingency planning in Department-wide IT risk scoring methodology, and consider adherence to contingency planning requirements in performance appraisals of responsible systems owners and IRM personnel.

# **Effective Embassy Leadership**

Ensuring that leaders and managers with appropriate skills lead our missions remains a challenge. OIG continues to find deficiencies in senior leadership at some overseas locations. While most leaders of missions abroad are performing very well, especially in areas such as advocating U.S. policies and actively engaging in public diplomacy, some are falling short in managing their missions. This has resulted in reduced productivity and effectiveness, low morale, and costly personnel curtailments.

Some leaders have demonstrated a lack of discipline in deploying personnel and financial resources. Some Chiefs of Mission have tasked their staff with numerous personally generated initiatives, which take time and resources away from work that is more central to advancing high-priority policy objectives. Some leaders fall short in developing and motivating staff, and some treat staff poorly. A very few have been insufficiently attentive to required security procedures.

All Chiefs of Mission and Deputy Chiefs of Mission, no matter how successful, could improve their performance based on feedback from their staff and their colleagues in the Department and other government agencies. For this reason, in 2010, OIG recommended that the Department institute a system to regularly assess the performance of leaders overseas and in

<sup>&</sup>lt;sup>40</sup> Inspection of the Bureau of Consular Affairs, Office of Consular Systems and Technology (ISP-I-11-51, May 2011).

<sup>&</sup>lt;sup>41</sup> Inspection of the Bureau of Educational and Cultural Affairs (ISP-I-12-15, Feb. 2012).

<sup>&</sup>lt;sup>42</sup> Inspection of the Bureau of Information Resource Management, Systems and Integration Office (ISP-I-12-30, June 2012).

<sup>&</sup>lt;sup>43</sup> Memorandum Report–Improvements Needed in Information Technology Contingency Planning (ISP-I-12-04, Dec. 15, 2011).

the United States and to take remedial actions when necessary, including training, counseling, and, if necessary, reassignment.<sup>44</sup> While the Department's QDDR process has focused attention on strengthening leadership of overseas missions, there has been little progress on this issue during the past year. OIG continues to provide advice to the Department based on its inspections.

#### **Protection of People and Facilities**

Despite the significant associated cost, the Department's highest priority is the safety and security of personnel and resources at both domestic and overseas posts. Protecting people, facilities, and information in areas of armed conflict and at missions rated critical for terrorist threat is a particular challenge. The conditions confronting U.S. Government personnel abroad are fraught with security risks, as evidenced by the September 2012 attack on the U.S. diplomatic post in Benghazi, Libya, that killed four Americans, including the American Ambassador. This month, another young Foreign Service officer was killed and several of her colleagues were injured by a blast from an improvised explosive device while delivering donated books to a school in the Zabul province of Afghanistan.

Over the past year, OIG has conducted two extensive audits of the Department's compliance with existing physical security standards at 10 overseas posts chosen for their locations in volatile political climates. OIG found that selected posts were not always in compliance with current physical security standards and that common physical and procedural security deficiencies occurred among the posts reviewed. As fiscal demand to ensure adequate security measures at international posts increases, financial reserves devoted to physical security in domestic offices are progressively strained. DS established physical security standards for the Department's domestic facilities a few years ago in response to an executive order. DS, responsible for compliance with security standards, designs security features for upgrades and coordinates funding with Department bureaus that request security upgrades. In recent domestic inspections, OIG found required upgrades had not occurred because of a lack of funding.

The Department is further challenged to foster better cooperation with host nations and to effectively manage its security programs under sometimes precarious conditions. At some of these missions, the host government sponsors or turns a blind eye to the harassment and intimidation of mission personnel, both American and local national. At one mission, the host government slowed visa issuance to security personnel to a trickle. At another, the host government interfered with incoming classified and unclassified diplomatic pouches. These actions severely hampered the mission's security operations.

<sup>&</sup>lt;sup>44</sup> Memorandum Report—Implementation of a Process to Assess and Improve Leadership and Management of Department of State Posts and Bureaus (ISP-I-10-68, June 29, 2010).

<sup>&</sup>lt;sup>45</sup> OIG defined common deficiencies as deficiencies found in two or more of the five posts reviewed.

<sup>&</sup>lt;sup>46</sup> FY 2014 Bureau Resource Request, Bureau of Diplomatic Security.

<sup>&</sup>lt;sup>47</sup> Standards were patterned after the security standards issued by the Interagency Security Committee, under the Department of Homeland Security, as authorized by Executive Order 12977.

<sup>&</sup>lt;sup>48</sup> 1 FAM 262.1-1(B), "Facilities Security Division."

<sup>&</sup>lt;sup>49</sup> Embassy Sanaa, Yemen (ISP-I-10-63A, June 2010) and ISP-S-12-28A.

In the wake of the Department's recent losses overseas, Congress has shown tremendous support for our Foreign and Civil Service personnel working to promote international diplomacy abroad by appropriating an additional \$2 billion to support strengthened embassy and consulate security this year. While we recognize that the expense to improve security is considerable, especially during difficult times of fiscal constraint, the alternative cost—the lives of our diplomats—is a far greater price to pay. OIG remains committed to ensuring that the congressional appropriations designated to protect our personnel are put to worthwhile use and appropriately monitored.

#### **Broadcasting Board of Governors Key Challenges**

Our oversight responsibilities also include Broadcasting Board of Governors (BBG) programs and activities, and we have identified broadcasting efficiency and financial management as challenges to reducing waste, improving efficiencies, and achieving savings.

#### **Effective Broadcasting**

BBG plans to reallocate resources from less effective transmission technologies to newer, more popular media. OIG found that International Broadcasting Bureau (IBB) transmitting stations in Thailand and Germany had implemented cost-saving measures, including automating shortwave, medium wave, and frequency modulation transmission platforms and using the latest antenna technology for shortwave transmissions. In Thailand, these measures could annually save \$1.2 million annually; however, plans to cut costs by privatizing operations at the Udorn, Thailand station had been on hold for 2 years as BBG headquarters considered the future of that station. OIG recommended BBG's final privatization proposal address a number of U.S. laws and regulations to include those requiring full and open competition and certification that contractors would not perform inherently governmental functions.

# **Executive Management**

OIG found<sup>52</sup> the nine-member BBG to be committed to the goals of U.S. international broadcasting, characterized by journalism of the highest caliber and a commitment to supporting democracy and freedom; however, the Board was failing in its mandated duties, including implementation of key aspects of its 5-year strategic plan. The Board's dysfunction stemmed from a flawed legislative structure; acute internal dissension; chronic vacancies and absences of members; and a part-time schedule that did not allow for effective supervision of broadcasting. The system that allowed Governors to serve concurrently on the Board and the corporate boards of the broadcast entities created conflicts of interest and confusion regarding roles and responsibilities. BBG also lacked a comprehensive travel policy for both domestic and international official trips.

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<sup>&</sup>lt;sup>50</sup> Broadcasting Board of Governors' Operations in Thailand (ISP-IB-11-33, March 2011); International Broadcasting Bureau's Germany Transmitting Station (ISP-IB-11-66, Sept. 2011).

<sup>&</sup>lt;sup>51</sup> Broadcasting Board of Governors' Operations in Thailand (ISP-IB-11-33, Mar. 2011); Compliance Followup Review of Broadcasting Board of Governors' Operations, Thailand (ISP-IB/C-12-34, June 2012).

<sup>&</sup>lt;sup>52</sup> Inspection of the Broadcasting Board of Governors (ISP-IB-13-07, Jan. 2013).

OIG recommended that BBG coordinate with OMB and congressional oversight committees to propose new legislation for international broadcasting that includes enhancing authority for the Board Chairman in Board governance and focusing the Board on its strategic oversight and direction roles; appointing a chief executive officer to coordinate operational aspects of the broadcast entities and their support structure; removing Governors from the corporate boards of the broadcast entities; and implementing a mechanism for censure or removal of Governors for actions that impede the Board's execution of its duties. OIG also made recommendations for BBG to implement a comprehensive travel policy that relates Board travel to strategic objectives and followup actions and to strengthen internal Board governance.

#### **Financial Management**

Financial management continues to be a challenge for BBG. In 2011, BBG received an unqualified opinion<sup>53</sup> on its financial statements. Although this is an achievement, the independent auditor identified significant internal control deficiencies related to property and equipment, unliquidated obligations, and after-employment benefits for LE staff. BBG planned to strengthen internal control over property and equipment to ensure property transactions are timely and accurately recorded by expanding training. In addition, BBG planned to refine the standard process for recording acquisition and disposal information. BBG had implemented a new monthly process to facilitate the timely review of unliquidated obligations, upon which BBG planned to expand to ensure a systemic process is in place to deobligate unneeded obligations. BBG also planned to develop and maintain and inventory of after-employment benefits provided to local employees.

### Conclusion

During this marked time of fiscal challenge, we must remain ever-vigilant of our grave obligation to American taxpayers to ensure the most economic, efficient, and effective use of Department resources. In FY 2014, as in years past, we will continue to devote our best efforts in pursuit of this goal and in furtherance of our mission to promote "effective management, accountability, and positive change." I am grateful for your support and consideration.

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<sup>&</sup>lt;sup>53</sup> Independent Auditor's Report on the Broadcasting Board of Governors 2011 and 2010 Financial Statements (AUD/IB-12-07, Nov. 2011).